

VZCZCXRO4453
PP RUEHDT RUEHLMC
DE RUEHDT #0118/01 1211533
ZNR UUUUU
P 011533Z MAY 09
FM AMEMBASSY DILI
TO RUEHC/SECSTATE WASHDC PRIORITY
INFO RUEHC/USAID WASHDC
RUEHKH/AMEMBASSY USAID PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY
RHMFIUU/CDR USPACOM HONOLULU HI
RUEHBY/AMEMBASSY CANBERRA PRIORITY
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RUEHKO/AMEMBASSY TOKYO PRIORITY
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UNCLAS SECTION 01 OF 02 DILI 000118

SIPDIS

FOR EAP, USAID

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [EFIN](#) [SOCI](#) [TT](#)

SUBJECT: TIMOR-LESTE DEVELOPMENT PARTNERS MEETING

¶1. Summary: The Government of Timor-Leste (GoTL) held its annual international donor development assistance meeting April 2-4, 2009, with delegations from over 32 countries and 350 participants attending. The Minister of Finance and Deputy Prime Minister chaired the Timor Leste Development Partner's Meeting (TLDPM) under the banner, "Goodbye Conflict, Welcome Development". Timor-Leste officials presented accomplishments in 2008, development priorities for 2009, and the GoTL's intention to enact a medium-term 'Strategic Development Plan' by the end of 2009. Other key issues discussed throughout the three day event included managing the potential impact of the global financial and economic crisis on Timor-Leste, the consequences of declining oil prices on the GoTL's Petroleum Fund, the primary source of central government revenue, and the need to generate medium and long term strategic objectives to improve sector planning and donor coordination.

¶2. At the opening session, President Ramos-Horta praised USG development assistance as exemplary for providing over 70% of its resources to rural development and agriculture (indeed, the United States was the only country singled out for praise by the President), and encouraged other donors to follow suit. Prime Minister Gusmao stressed the importance of the GoTL's seven national priorities for 2009 -- agriculture and food security, rural development, human resources development, social services and protection, public safety and security, clean and effective government, and access to justice -- as its response to a recent assessment that poverty in Timor-Leste rose during 2001 to 2007. In a bilateral meeting with the USG delegation, the Minister of Finance stated that the United States is viewed by the Timorese government as a 'great achiever' among all the donors. End Summary

¶3. On April 2nd, the U.S. delegation led by Ambassador Klemm provided a briefing on U.S. foreign assistance priorities and programs, and led discussions on ways to enhance mutual collaboration and coordination, in separate meetings with representatives from the World Bank (WB), the United Nations (UN) and the GoTL. In the UN meeting, the discussion focused on ways to improve coordination and help the GoTL set development priorities. The U.S. delegation stressed the need for increased coordination of programs in the justice sector where both USAID and UNDP have established activities, and to link work in the formal justice sector with traditional Timor Leste approaches. The World Food Program welcomed the recent large U.S. contribution to their food security programs in Timor-Leste. There was agreement that enhanced donor coordination was needed

in all sectors; and that the GoTL needed help in setting priorities among the numerous areas for development assistance that it has identified. End Summary

¶4. In the WB meeting, the USG delegation's presentation of its development strategy led to a more detailed discussion on joint activities. Ambassador Klemm recommended that a mapping exercise of all past and present donor assistance be generated so that the GoTL could be better informed on all current programs, especially in the justice sector but also in agriculture and elsewhere. Since USAID has initiated a Geographic Information System program for all its activities throughout the country, the USG could play a leading role for this mapping exercise with GoTL. The WB offered to establish a database and possibly a website to facilitate the sharing of information and reports. The WB also mentioned that an Interim Strategy Note for Timor-Leste, a prelude to a more comprehensive Country Assistance Strategy, is due later this year.

¶5. In the bilateral meeting with select GOTL Ministers or their representatives, Ambassador Klemm opened the USG delegation's presentation by stressing that USG priorities in Timor-Leste aim to promote stability and economic and social development. Emilia Pires, Minister of Finance, led the GoTL delegation, along with Jose Luis Guterres, Vice-Prime Minister and Coordinator for Social Development. Ambassador Klemm said the U.S. remains a strong friend and partner of Timor-Leste. He said that the USG's foreign assistance budget of \$25 million per year will likely remain roughly constant in the medium term.

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USAID Director Mark Anthony White gave a briefing on the Mission's programs, key results, and priorities for a new U.S. Country Assistance Strategy.

¶6. Minister Pires said the U.S. is viewed by the GoTL as a 'great achiever' amongst all donors in the country. The Minister thanked the USG for implementing projects in rural areas and for providing assistance by doing and not just talking. The Minister also said that the GoTL wants to put their development programs on a "fast track," to take successful USG and other donors' programs and "replicate them everywhere". Other Ministers of the GoTL said they were pleased with U.S. assistance in all sectors but stressed that continued support is needed especially in police training, health, water/sanitation, and agriculture.

¶7. The Finance Minister also noted that in spite of not having been approved last year as an MCC Compact eligible country, the GOTL remains committed to the MCC program and has submitted its Threshold Program proposal ahead of the scheduled April 17 due date.

¶8. Timorese President Ramos-Horta and the Prime Minister Gusmao, as well as other Ministers responsible for the oversight of each national priority, spoke at the April 3 and 4 TLDPM plenary meetings. The President thanked all donor partners for their contributions to the development of Timor Leste and specifically mentioned his appreciation for USG development assistance, describing its focus on rural development and agriculture as exemplary. He asked other donors to follow the U.S. example and do more in rural development, specifically to create conditions of peace and stability to promote development and investment. He also mentioned the 'obligation' that his

government and donors have towards using assistance effectively. USG assistance continues to be targeted at all of Timor-Leste's national priorities for 2009, agriculture and food security, rural development, human resources development, social services and protection, public safety and security, clean and effective government, and access to justice.

19. During plenary interventions by donor delegations, most countries outlined their assistance programs in Timor-Leste. Several noted concern that the recent sharp increase in central government expenditures may not be sustainable given the modest size of the Petroleum Fund, declining oil prices, and the absence of any other meaningful source of government revenue. During the U.S. intervention, the Ambassador reinforced concerns with budget sustainability; encouraged greater transparency, especially in government procurement; stated that Timor-Leste has "no stronger partner" in its fight against corruption; and urged rapid improvement in the legal and regulatory environment faced by the private sector in Timor-Leste, notably the enactment of a land law. He concluded with a note of optimism, linking the country's continued stability (14 months without major conflict) as providing hope for further social and economic development of Timor-Leste.

KLEMM